

# The Catalytic Effect of CSOs on the Nigerian Economy: The case of the Energy Sector

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The West Africa Civil Society Institute (WACSI) was created by the Open Society Initiative for West Africa (OSIWA) to reinforce the institutional and operational capacities of civil society in the region. WACSI also serves as a resource centre for training, research and documentation, experience sharing and political dialogue for CSOs in West Africa.

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WACSeries are analytical periodic write-ups on topical themes and issues relevant to West Africa. These write-ups provide experts, researchers and practitioners a space to reflect, analyse and posit views and recommendations on emerging issues and debates.

The WACSeries Op-Eds are thought provoking and intellectually engaging write-ups that provide critical reflections and analysis of issues relevant to civil society and development in West Africa.

### Objectives of WACSERIES

- To raise awareness on key issues in West Africa;
- To generate debates and discussions on these issues;
- To proffer recommendations on civil society involvement in advocacy;
- To provide recommendations to policy makers.



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## Introduction

Micro, Small and Medium Enterprises (MSMEs) are major drivers of socio-economic transformation in both the industrialised and developing world. According to estimates by the International Council for Small Business (ICSB), they make up over 90% of [business globally](#), 60% of global employment, and half of the Gross Domestic Product (GDP) of any economy. In Sub-Saharan Africa, Micro Small and Medium Enterprises account for [over 95% of all business](#).

In Nigeria, many privately-run businesses are MSMEs. According to a [recent](#) national survey by the National Bureau of Statistics (NBS), there are a total of 41.5 million MSMEs in the country that provide

59.6 million Nigerians with employment – thereby making up over 85% of the national workforce. Citizens majorly drive these MSMEs at the bottom of the economic pyramid – many of whom start these enterprises as a means of survival. The rising unemployment rates in the country has further created a situation of rising inflation as well as the downsizing of major corporations. As a result, the number of people going into business – mainly small and micro businesses as a means of survival continues to rise.





## 1- Inadequate electricity, a primary hindrance to the growth of MSMEs in Nigeria

MSMEs in the country are faced with a myriad of challenges that affect businesses generally in Nigeria. These range from lack of basic infrastructure such as lack of electricity access, bad roads, lack of adequate clean water supply, lack of access to finance and technical support, among others. Furthermore, the [2015 joint report](#) by the Small Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS) and another [study](#) by the Climate Transformation and Energy Remediation Society (CLIMATTERS) all point to the inescapable fact that lack of constant power supply remains the primary hindrance to the growth of MSMEs in the country. The [biggest enabler of poverty](#) in Nigeria is the lack of electricity – and this can be attributed to the fact that most MSMEs in the country require power to operate effectively due to the unreliable nature of the power grid. As a popular social media commentator [Mr. Nura Alkali](#) recently stated:

« "Poverty thrives in Nigeria for many reasons, but the biggest culprit is inadequate electricity. The barber must use a generator. So must the welder, grocer, business café, supermarket, and hotelier if they want to stay in business."

As a result, most MSMEs then rely on ineffective alternatives such as petrol generators and kerosene lamps, which cut into their profits and expose them to health and safety hazards.

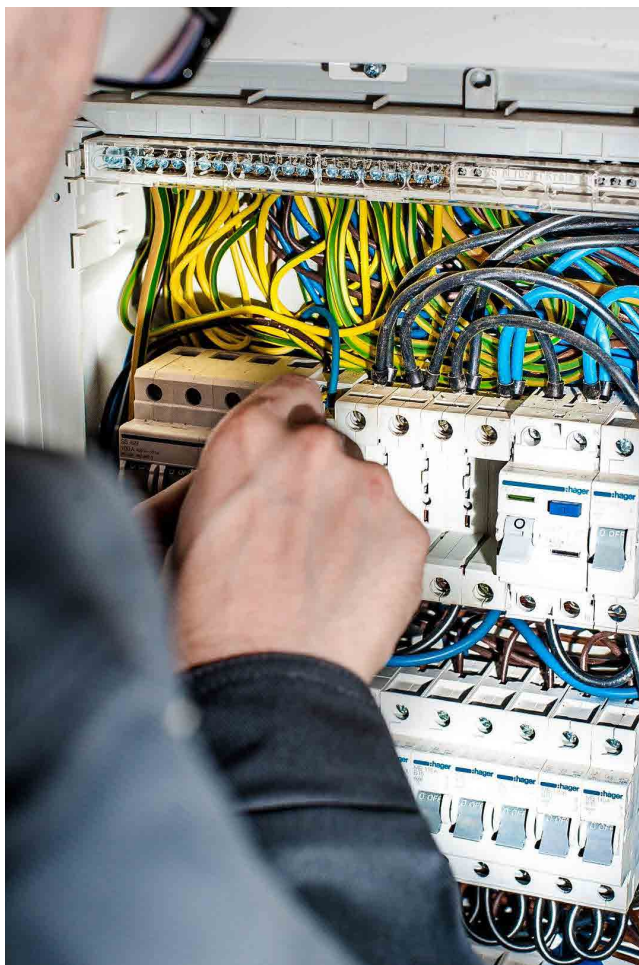
## 2- Renewable energy provides solutions to electrical challenge

In recent times, renewable energy technologies, predominantly solar electricity technologies, are increasingly becoming key power solutions utilised by citizens and small businesses in bridging the electricity gap in Nigeria. Through the utilisation of various types of renewable energy solutions including pico-solar<sup>1</sup>, solar home systems, stand-alone solar system and mini-grids, many MSMEs are slowly re-adapting their businesses and business models using these alternative power solutions to meet the needs of their consumers.

However, several challenges remain, and they hinder the ability of these MSMEs to transit from the use of inefficient energy sources to renewable energy solutions. Chief among them is the high initial cost of purchasing renewable energy technologies, comparative to the cost of purchasing a petrol generator or kerosene lamp. Also recognised as a hindrance to its quicker adoption is the lack of knowledge and understanding of these technologies and how they work. Even more problematic is the influx of sub-standard renewable energy products in the market. Such products often make their way to unserved and underserved areas mainly in deep-rural, rural and peri-urban communities where the users of these technologies are more vulnerable to these substandard products due to lower purchasing power and lower education to mention but few.

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<sup>1</sup> "Pico Solar" is a term that refers to a type of small solar power system used in rural electrification in developing nations. They are used to provide indoor lighting in off grid locations and some Pico Solar systems integrate cell phone charging capability.



### 3- Civil Society Organisations are helping to bridge the electricity gap

In Nigeria, civil society organisations (CSOs) such as [CLIMMATTERS](#) and [Clean Technology Hub \(CTH\)](#) have carried out advocacy campaigns aimed at sensitising MSMEs across the country on the need to transit from the use of inefficient energy sources to cleaner energy sources. CTH, in particular, is a pioneering hybrid hub for the incubation and acceleration of innovative clean and climate-smart technologies across the African continent. With the support of the Open Society Initiative for West Africa (OSIWA), CTH held advocacy workshops across regions and states in Nigeria to help MSMEs think through their energy needs, assess their experiences with renewable energy technologies, and to share knowledge on the existing renewable energy technologies currently available for MSMEs, including pathways through which they can be adopted.

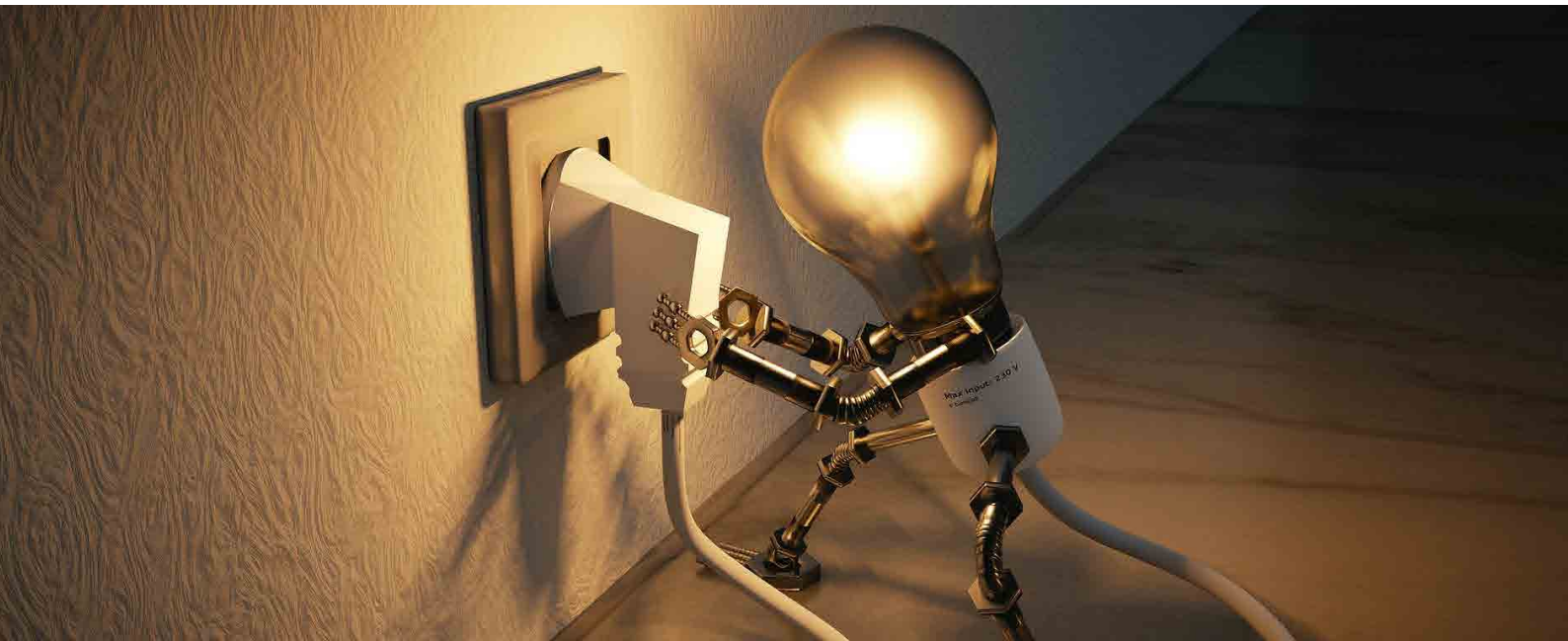
Similarly, initiatives involving civil society platforms have been supported by the Heinrich Boell Stiftung (HBS) Foundation in Nigeria. For example, CLIMMATTERS was supported to carry out advocacy work on [“Growing small businesses with solar”](#) in south-western Nigeria. The result has been a 12% rise in the adoption of solar technologies in these communities where the training took place. The HBS Foundation also supported Clean Technology Hub on designing local solution labs to adapt specific renewable energy solutions. This was done for different communities based on a “needs assessment” - called a local solutions lab where communities are

enabled with design tools to think through the different renewable energy solutions best suited for their communities. The result of the “needs assessments” and “local solutions lab” has seen organised MSMEs cooperatives forming advocacy groups to lobby their state and local governments for solar energy.

Over the years, OSIWA has also supported projects by CSOs and MSMEs on democratising energy access – working on schools, health centers and community organisations such as the “Promoting Citizens Access to Off the Grid Clean Energy Solutions in Nigeria” project being implemented by Clean Technology Hub.

Due to their extensive grassroots reach, CSOs in Nigeria are strategic partners in eliminating bottlenecks and ensuring that small businesses especially those in rural, peri-urban and last-mile communities have access to clean and affordable energy. CSOs such as Clean Technology Hub and CLIMMATTERS also play active roles and act as the bridge between these renewable energy solutions provider and small business owners in the communities. Clean Technology Hub in particular, has organised workshops for MSMEs where clean energy solutions providers were invited to display their products and services to small business owners in the country.





## 4- Emerging Innovative Business Models

A growing and important facet of the work involving MSME and CSOs is the focus on designing [innovative business](#) models to grow local businesses and ensure the transition to cleaner and more efficient lighting and cooking methods. For example, [Solar Sister](#) is an organisation with sales representatives and agents spread across the 26 states in Nigeria with most of them being respected individuals in their communities. Solar Sister works with MSMEs to pressure the federal, state and local governments to create an enabling environment for the adoption of these technologies to boost the local economy. Solar Sister organised workshops in Kano, Enugu, Kogi, Anambra, Enugu, Kaduna, Oyo, Ogun, Akwa Ibom and Cross River states.

As a direct result of these community-based workshops involving CSOs and small businesses, several MSMEs in states across Nigeria where this project has been implemented are now more enlightened about the dangers and harmful effects of dirty energy sources (including kerosene, diesel, and wood). Despite these initiatives, a lot more work needs to be done to reach many more MSMEs across the country. Hence, it is important for the coalition of civil society initiatives working on a range of issues related to poverty alleviation, education, youth and gender empowerment to engage in campaigns to make more Nigerians to be aware of how to obtain access to these renewable energy technologies.

## 5- The Future

To ensure that MSMEs in Nigeria adopt clean energy solutions for the drive sustainable development and economic growth in the country, CSOs, the federal and state governments, MSMEs, and donor agencies all have crucial roles to play:

### a) Civil Society Organisations

In Nigeria, the Standards Organisation of Nigeria (SON) has developed several standards for clean energy products. However, the body lacks both the capacity and often times, the political will-power to enforce these standards and this has resulted in the influx of sub-standard products into the country. CSOs coming together to advocate for the implementation of these existing certification frameworks and standards for clean energy products will go a long way in urging the federal government and SON to create effective measures for the enforcement of these standards and reduce the proliferation of poor quality clean energy products into the country.

Additionally, multiple taxations remains a major factor negatively impacting the survival and growth of MSMEs in the country. In order to ease the plight of businesses and encourage the adoption of clean energy solutions, [CLIMMETERS](#) and Clean Tech Hub has called for the introduction of tax rebates and subsidies for MSMEs that adopt clean energy solutions. However, the lack of political will of key government officials at the state and federal level remain a major barrier.

CSOs that lobby and advocate for the removal/and reduction of state taxes or rebates and subsidies for businesses in Nigeria and work to reduce carbon emissions also further contribute to the adoption of renewable energy, particularly in powering MSMEs and to the overall economic growth and development of the country.

## **b) Federal Government**

The Federal Government can also promote the adoption of MSMEs in Nigeria in the following ways:

- Removing or reducing import duties on clean energy equipments to enable more MSMEs afford clean energy solutions, increasing subsidies for clean energy options for MSMEs located in economic clusters, building on the work currently being done by the Rural Electrification Fund of the Rural Electrification Agency (REA) which issues grants to clean energy providers and developers in the country;
- Using the National Orientation Agency (NOA) or other relevant ministries and agencies to increase awareness of the benefits of clean energy solutions among MSMEs in the country; and
- Providing incentives for clean energy providers such as carbon credits; as well as low-cost finance to MSMEs intending to adopt clean energy solutions to power their businesses.

## **c) State Government**

The state government also has a role to play in ensuring that more MSMEs at the state and local council level have access to affordable clean energy solutions by: domiciling the existing clean energy related policies, laws, action plans and regulations at the federal level into their states, creating investment briefs to attract clean energy providers and developers to operate and site their projects in their states, and by providing tax breaks for MSMEs using clean energy in order to enable them recoup the high upfront costs of acquiring these solutions.

## **d) Donor and Developmental Agencies**

The donor and developmental community should also provide more financial and technical support to CSOs working to advance the adoption of clean energy solutions among MSMEs especially those located in peri-urban, rural and last mile communities.

They should also provide more funding to clean energy providers and developers looking to deploy their products and services to power MSMEs across the country.

## **e) Micro Small and Medium Enterprises**

MSMEs in Nigeria should also form clusters and associations and collaborate with CSOs to lobby the government to create an enabling environment to increase access to clean energy products and services, and further ensure that the adoption and use of clean energy products and services from certified and reputable providers.

## **Conclusion**

In conclusion, CSOs in Nigeria are empowered and must be strengthened to continue to contribute effectively in the development of fundamental solutions aimed at growing the local economy in which they operate. This can be done by leading in the sensitisation, education and training on the benefits of alternative energy; engaging with MSMEs as critical units in adopting these renewable energy technologies; and engaging with key government stakeholders at both the federal, state and the local government levels to create the enabling environment for the growth and adoption of renewable energy sector by MSMEs. This will go a long way in ensuring that Nigeria is on the pathway to achieving energy independence and renewed economic growth.



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